BANQUE HAVILLAND

Q2 2024 OUTLOOK

APRIL 2024

Banque Havilland, a well-established banking group offers services to both ***private*** *and* ***institutional*** *clients, who can benefit from the advantages of a robust banking platform located across seven financial centres. The bank was founded in 2009 in Luxembourg, where it has its head office, and today also has presences in Monaco, Liechtenstein, Dubai and Switzerland.*

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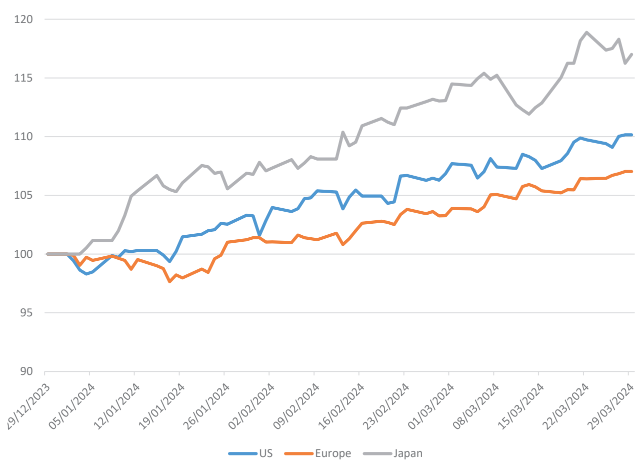
MARKET ENVIRONMENT

The economic and market landscape in 2024 has been marked by significant developments and trends across various regions, influenced by central bank policies, inflation rates, and sectoral performances.

The U.S. economy began 2024 on a strong note, albeit with signs of moderation in certain areas. Consumer services spending and investment continued to drive economic growth, while the labor market, although robust, showed signs of easing. The unemployment rate edged up to 3.9%, reflecting a modest cooling in hiring. Inflation remained a key concern, with core goods inflation surprising on the upside in February.

Equities Performance



However, the Federal Reserve is expected to initiate a policy easing cycle, with a 25 basis point cut anticipated in June, amidst a cumulative expectation of 100 basis points cuts throughout the year.

Europe's economic growth appeared lacklustre, with Germany, Europe's largest economy, entering a recession due to structural challenges like elevated power prices and a declining labor supply. The Euro area's GDP growth was tepid, with inflation rates showing some signs of deceleration. The European Central Bank is projected to reduce its policy rate by 25 basis points in June, signalling a cautious approach to monetary easing.

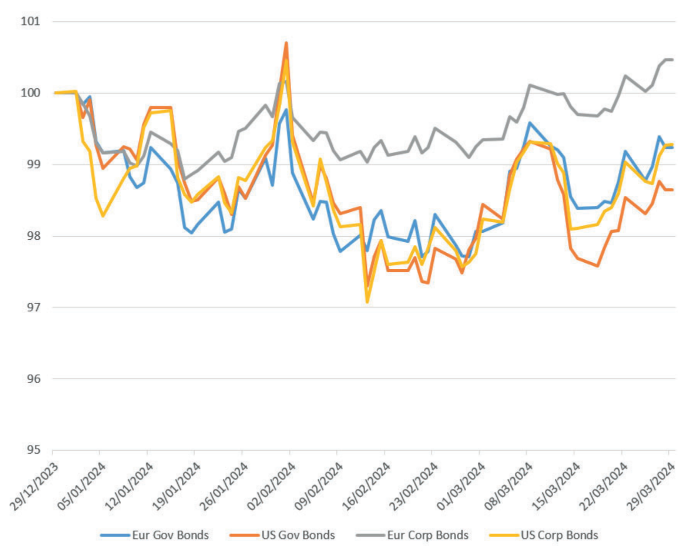
Japan witnessed a historic shift in its monetary policy as the Bank of Japan ended almost two decades of negative policy rates.

This move, coupled with a virtuous cycle of increasing wages and rising consumer spending, is expected to support growth in the world's third-largest economy. Japanese stocks have shown significant gains, with Tokyo stocks being the biggest winner with nearly 20% gains since January.

Emerging markets have shown divergent trends, with India being highlighted as a standout growth story, thanks to its strong domestic fundamentals and macro stability. The country's growth is expected to be broad-based, narrowing gaps between rural and urban consumption, and private-public capex.

Central banks across the globe are navigating the complex landscape of moderating growth and persistent inflation. While developed markets are on the cusp of rate cuts, emerging markets have already commenced this shift, indicating a global trend towards policy easing. This is set against a backdrop of varying inflation rates, with core inflation remaining sticky in some regions despite overall signs of deceleration.

Fixed Income Performances

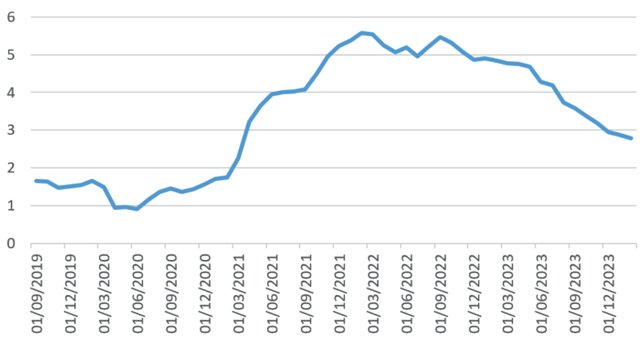


The anticipation of rate cuts has led to a rally in equities and a rush to buy gold, with the latter hitting an all-time high in March. This reflects a shift in investor sentiment towards assets that could benefit from a looser monetary policy environment. The broadening of market gains beyond the technology sector suggests a more robust support base for the equity market rally.

In summary, the first quarter of 2024 has presented a mixed but cautiously optimistic economic and market outlook. Central banks' policy directions, inflation trajectories, and the diversification of sectoral growth are key themes shaping the landscape, with regional nuances adding layers of complexity to the global narrative.

Looking ahead to the rest of 2024 and beyond, the outlook for the global economy and financial markets appears cautiously optimistic, with expectations of moderate growth, declining inflation, and accommodative central bank policies. However, this relatively benign base case is not without risks, and investors will need to remain vigilant and adaptable as the economic landscape continues to evolve.

US Peronal Consumption Expenditure Index %



Economic growth in the U.S. is expected to remain resilient, albeit at a slightly slower pace compared to the strong finish of 2023. Real GDP growth is forecast to be around 2% for the year, supported by robust consumer spending and investment. The labor market is expected to cool gradually, with the unemployment rate potentially ticking up slightly as the economy settles into a more sustainable growth path.

In the eurozone, growth is expected to pick up modestly from a low base, with the European Central Bank (ECB) also poised to begin cutting rates in June. However, the region's recovery may be uneven, with Germany facing structural challenges that could weigh on its growth prospects. Core inflation in the eurozone is expected to decline slowly, reaching the ECB's 2% target only in early 2025.

In China, deflation concerns persist, and the recent National Party Congress pointed to a reactive and insufficient fiscal policy response. This may limit the country's near-term growth prospects and potentially weigh on global growth. In contrast, India has emerged as a bright spot among emerging markets, with growth forecasts being revised upward.

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Against this backdrop, investors are generally maintaining a pro-risk stance, favoring equities and credit over cash and government bonds. Within equities, the U.S. market remains attractive due to its quality and cash generation potential, while Japan offers the potential for a re-rating as corporate governance reforms take hold. Emerging markets (ex-China) are also seeing an improvement in their outlook, with a recovery in the semiconductor cycle and a bottoming out of earnings expectations.

In fixed income, the prospect of a range-bound trading environment for government bond yields supports a neutral stance on duration. Credit markets remain compelling, with the carry from spread sectors looking attractive as recession risks fade. However, the scope for further spread compression appears limited.

Despite the broadly positive outlook, several key risks could derail the base case scenario. The primary risk is that inflation proves more persistent than anticipated or even reaccelerates, forcing central banks to maintain a more hawkish policy stance. This could lead to a sharp tightening of financial conditions, weighing on growth and asset prices. Additionally, any signs of corporate caution or a slowdown in earnings growth could undermine the positive sentiment in equity markets.

Geopolitical tensions, particularly those related to U.S.-China relations and the ongoing conflict in Ukraine, also have the potential to disrupt global trade and financial markets. Investors will need to monitor these developments closely and be prepared to adjust their portfolios accordingly.

In conclusion, while the outlook for the global economy and financial markets in the remainder of 2024 and beyond appears generally favorable, it is not without challenges. Investors should maintain a well-diversified portfolio, with a focus on quality assets and active management to navigate the potential risks and capitalize on opportunities as they arise.

By remaining nimble and attuned to shifting economic and market conditions, investors can position themselves for success in an environment characterized by moderate growth, easing monetary policy, and the ongoing normalization of the post-pandemic world.

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EQUITIES

The first quarter of 2024 has been marked by a strong rally in global equity markets, with the US leading the charge. The rally has been broad-based, with gains extending beyond the mega-cap tech stocks that had driven much of the market's performance in recent years. Equally-weighted US indexes have risen almost as much as market-capitalization-weighted ones, but again small-cap stocks have failed to keep pace with their larger counterparts.

At a sector level, communication services and technology have been standout performers, bolstered by the excitement surrounding advancements in artificial intelligence. The launch of ChatGPT in November 2022 has sparked an AI arms race among tech giants, driving significant investment in AI-related infrastructure and applications.

However, the rally has not been confined to tech, with financials and industrials also outperforming the broader market.

The strong performance of US equities has been underpinned by several factors. Corporate fundamentals remain solid, with companies delivering robust profit growth and decent returns on capital. There are no signs of widespread overinvestment, even in the technology sector where capital spending has been ramping up in response to the AI boom. Additionally, US firms appear to be less sensitive to rising interest rates in this cycle, as they have been able to finance much of their investment spending through internally generated funds.

	MTD	YTD	1 YR	2023	2022	2021	2020	2019
LCL	4.6%	19.2%	43.0%	28.6%	7.1%	28.2%	29.5%	30.7%
	UK	**Japan**	**Japan**	**Japan**	**UK**	**USA**	**China**	**USA**
EUR	4.6%	13.7%	26.4%	15.8%	1.2%	37.6%	18.9%	33.3%
LCL	4.3%	12.8%	29.3%	25.7%	-4.5%	24.9%	18.3%	30.0%
	Eurozone	**Eurozone**	**USA**	**USA**	**Japan**	**Europe**	**EM**	**Switzerland**
EUR	4.3%	12.8%	30.1%	21.7%	-11.3%	24.9%	8.7%	34.9%
LCL	4.2%	10.4%	20.8%	22.2%	-9.5%	23.3%	17.8%	28.2%
	Japan	**USA**	**Eurozone**	**Eurozone**	**Eurozone**	**Eurozone**	**USA**	**Eurozone**
EUR	3.4%	13.2%	20.8%	22.2%	-9.5%	23.3%	8.2%	28.2%
LCL	4.0%	7.7%	15.0%	15.8%	-10.6%	23.0%	8.8%	26.8%
	Europe	**Europe**	**Europe**	**Europe**	**Europe**	**Switzerland**	**Japan**	**Europe**
EUR	4.0%	7.7%	15.0%	15.8%	-10.6%	29.0%	4.6%	26.8%
LCL	3.6%	5.6%	8.5%	9.8%	-17.1%	19.6%	1.9%	23.5%
	Switzerland	**Switzerland**	**UK**	**EM**	**Switzerland**	**UK**	**Switzerland**	**China**
EUR	1.6%	0.8%	11.7%	6.3%	-13.1%	27.2%	1.9%	25.9%
LCL	3.2%	4.0%	8.2%	7.7%	-18.5%	13.4%	-2.0%	18.5%
	USA	**UK**	**EM**	**UK**	**USA**	**Japan**	**Europe**	**Japan**
EUR	3.2%	5.7%	9.0%	10.5%	-13.4%	10.4%	-2.0%	22.6%
LCL	2.5%	2.4%	5.5%	5.3%	-20.1%	-2.5%	-3.2%	18.4%
	EM	**EM**	**Switzerland**	**Switzerland**	**EM**	**EM**	**Eurozone**	**EM**
EUR	2.6%	5.0%	7.7%	11.9%	-15.1%	4.6%	-3.2%	20.8%
LCL	0.9%	-2.2%	-17.1%	-11.2%	-21.9%	-21.7%	-13.2%	16.4%
	China	**China**	**China**	**China**	**China**	**China**	**UK**	**UK**
EUR	1.0%	0.3%	-16.4%	-14.0%	-17.0%	-16.0%	-17.8%	23.5%

Outside the US, Japanese equities have been a bright spot, with the Japanese market up almost 20% year-to-date. The rally has been driven by a virtuous cycle of rising wages, increasing consumer spending, and moderately higher inflation, which is supporting domestic growth. Corporate governance reforms and attractive valuations have also contributed to the positive sentiment towards Japanese stocks.

Emerging markets have delivered mixed performance, with China's equity market lagging despite signs of economic recovery. In contrast, Brazil has been a standout performer, with its equity market offering attractive risk-adjusted returns compared to developed markets.

Overall, the first quarter of 2024 has been characterized by a strong, broad-based rally in global equities, led by the US market. The excitement around AI has been a key driver, but the rally has also been supported by solid corporate fundamentals and a relatively benign macroeconomic backdrop. However, valuations are becoming stretched in some segments of the market, particularly US growth stocks, which could leave them vulnerable to a correction if growth and inflation dynamics take a turn for the worse. As such, investors may be well-served by a selective approach that balances exposure to structural growth themes with a focus on valuations and risk management.

	CURRENT					10-YEAR AVERAGE			
COUNTRY	6M EPS PCT CHG	FORWARD P/E	P/B	P/CF	DIV. YIELD	FORWARD P/E	P/B	P/CF	DIV. YIELD
UNITED STATES	7.6	19.0	4.3	15.5	1.4	17.3	3.3	13.6	1.9
UK	-3.1	11.1	1.8	5.6	4.0	12.7	1.8	9.1	4.1
EUROZONE	1.2	13.1	2.0	9.3	3.3	13.4	1.6	8.1	3.5
GERMANY	-1.7	11.8	1.5	7.8	3.1	12.6	1.6	7.9	3.1
FRANCE	-1.6	13.1	1.9	9.4	3.1	13.5	1.6	9.1	3.3
SWITZERLAND	1.2	16.2	3.4	13.9	3.3	16.6	2.6	14.1	3.3
SPAIN	7.9	10.9	1.4	5.9	4.7	12.2	1.3	5.3	4.3
ITALY	2.6	9.0	1.3	6.0	5.3	11.2	1.1	5.9	4.2
JAPAN	10.4	20.4	2.1	8.3	1.7	17.1	1.7	10.1	1.9
CHINA	2.7	6.9	0.8	5.6	4.1	7.8	1.0	5.9	3.8

Looking ahead, the outlook for global equity markets in the remainder of 2024 and beyond is cautiously optimistic, albeit with some notable risks on the horizon.

On the positive side, the global economy appears to be on a path of gradual recovery. The US economy has proven resilient, with a strong labor market and signs of moderating inflation. China is also showing early indications of a rebound, although the pace of recovery remains gradual. In this context, corporate earnings are expected to remain solid, with consensus forecasts pointing to global earnings growth of around 8% in 2024.

A key driver of the positive sentiment in equity markets is the expectation that major central banks, including the Federal Reserve and the European Central Bank, will begin cutting interest rates in the coming months. This shift in monetary policy stance should provide support for risky assets and help to extend the equity market rally.

At a regional level, investors remain overweight Japanese equities, attracted by the market's reasonable valuations, improving corporate governance, and the tailwinds from domestic economic recovery. The Bank of Japan's recent decision to abandon its yield curve control policy and negative interest rates is not expected to derail the positive momentum in Japanese stocks.

The technology sector is expected to remain a key driver of equity market performance, supported by the ongoing boom in artificial intelligence. However, investors will need to be discerning, as the AI hype cycle could lead to pockets of overvaluation and overinvestment. Focusing on companies with strong competitive positions, robust balance sheets, and clear paths to profitability in the AI space may be prudent.

Other sectors that could outperform in the coming months include financials, as the expected shift in monetary policy and the stabilization of the banking sector provide tailwinds, and industrials, as the global economic recovery gathers pace.

However, there are also significant risks to the equity market outlook that investors will need to navigate. Geopolitical tensions, particularly between the US and China, could weigh on sentiment and disrupt global trade. The uncertain fiscal outlook in major economies, with concerns about rising debt levels, could also lead to bouts of volatility. Furthermore, any unexpected resurgence in inflation or a sharper-than-expected economic downturn could derail the equity market rally.

In summary, while the outlook for global equities in the remainder of 2024 and beyond is generally positive, investors will need to be selective and nimble. A focus on quality companies with strong fundamentals, reasonable valuations, and exposure to structural growth themes such as AI may be the key to success. At the same time, diversification across regions, sectors, and asset classes will be crucial to managing risk in an uncertain and potentially volatile market environment.

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FIXED INCOME

Fixed income markets have experienced a dynamic start to 2024, with various sectors responding differently to the evolving economic landscape, central bank actions, and investor sentiment.

In the first quarter of 2024, high yield bonds outperformed both Treasuries and investment grade bonds, demonstrating a stronger correlation with equities. The US High Yield market rose 1.51% in Q1, while 10-year Treasuries and investment grade bonds, declined 1.61% and 0.08%, respectively. Performance within the high yield market favoured lower-rated tiers, with CCC-rated bonds gaining 3.22% compared to 1.48% for B-rated and 1.10% for BB-rated bonds.

Leveraged loans also had a strong showing, benefiting from rising rates, robust CLO formations, and retail inflows.

The US Leveraged Loan market gained 2.46% in Q1, outpacing all other fixed income asset classes.

Primary issuance in the high yield bond market reached $87.6 billion in Q1, significantly higher than the same period in 2023 and 2022. Leveraged loan issuance surged to $317.7 billion, dwarfing the volumes seen in the first quarters of the previous two years. CLO issuance remained elevated, with $48.1 billion in net issuance (excluding refinancing) accounting for a substantial portion of the full-year volumes in 2023 and 2022.

Default activity in the leveraged finance markets remained subdued, with the trailing twelve-month par-weighted default rates for high yield bonds and leveraged loans ending March at 1.67% and 1.77%, respectively, well below historical averages.

	3 MONTHS	6 MONTHS	1 YEAR	2 YEARS	3 YEARS	5 YEARS	7 YEARS	10 YEARS	15 YEARS	20 YEARS	25 YEARS	30 YEARS
SWITZERLAND	1.28	1.26	0.94	0.84	0.81	0.72	0.69	0.70	0.69	0.69	0.68	0.66
JAPAN	0.01	0.05	0.03	0.20	0.21	0.38	0.51	0.77	1.21	1.53		1.81
GERMANY	3.69	3.62	3.34	2.87	2.54	2.39	2.35	2.40	2.55	2.60	2.56	2.57
DENMARK	3.48	3.39	3.42	2.82	2.60			2.43	2.59			2.52
NETHERLANDS	3.63	3.61		2.77	2.61	2.55	2.57	2.70	2.81	2.81	2.77	2.76
FRANCE	3.83	3.73	3.44	2.86	2.76	2.72	2.72	2.91	3.16	3.29	3.32	3.40
AUSTRIA	3.81	3.72	3.28	2.88	2.77	2.66	2.77	2.91	3.11	3.12	3.12	3.06
BELGIUM	3.80	3.64	3.46	2.91	2.71	2.67	2.78	2.97	3.18	3.33		3.45
SWEDEN	3.79	3.73	3.52	2.79		2.46	2.45	2.52	2.64		2.64	
IRELAND			3.55	2.81	2.68	2.62	2.63	2.84	2.97	3.04		3.10
SPAIN	3.65	3.67	3.46	3.03	2.92	2.89	2.97	3.23	3.57	3.71	3.74	3.80
ITALY	3.74	3.75	3.59	3.43	3.24	3.33	3.49	3.81	4.05	4.25	4.25	4.34
UNITED KINGDOM	5.36	5.14	4.54	4.22	4.01	3.92	3.91	4.07	4.38	4.54	4.54	4.58
UNITED STATES	5.37	5.34	5.06	4.75	4.56	4.40	4.41	4.40	4.46	4.66		4.55

In Europe, bond yields experienced mixed performance. German and French government bond yields saw slight declines in Q1, while peripheral countries like Italy and Spain witnessed yield increases. The European Central Bank's ongoing monetary tightening and concerns over fiscal challenges likely contributed to this divergence.

Looking ahead, fixed income markets may face increased volatility as investors grapple with the timing of potential central bank rate cuts, persistent inflation concerns, and even the possibility of stagflation. However, the current "wall of cash" parked in money market funds could provide support during market corrections.

The U.S. Federal Reserve's monetary policy stance will remain a crucial factor in determining the direction of bond yields. While the market currently anticipates rate cuts later in the year, the timing and magnitude of these cuts may depend on the persistence of inflation and the strength of economic data. If inflation proves stickier than expected or if the economy demonstrates resilience, the Fed may be more cautious in its approach to easing, potentially leading to higher bond yields and increased volatility.

In Europe, the European Central Bank (ECB) is expected to follow a similar path, with potential rate cuts on the horizon. However, the exact timing of these cuts may vary depending on the inflation outlook and economic conditions in the region. The divergence in economic performance and fiscal challenges among European countries could lead to further widening of yield spreads between core and peripheral nations.

Corporate credit markets, particularly high yield and leveraged loans, are likely to be influenced by the evolving economic landscape and the trajectory of corporate earnings. If the anticipated economic slowdown materializes, default rates could rise from their current low levels, putting pressure on lower-rated credits. However, if growth remains resilient and corporate fundamentals hold up, these sectors may continue to offer attractive yields and outperform other fixed income segments.

	MTD	YTD	1 YR	2023	2022	2021	2020	2019
LCL	2.09%	1.82%	10.71%	12.89%	-9.41%	4.48%	11.30%	17.27%
	EM Hard	EM Hard	EM Hard	US High Yield	EU High Yield	US High Yield	US Corp	US Corp
EUR	2.12%	4.35%	11.46%	9.29%	-9.41%	12.18%	2.23%	19.59%
LCL	1.56%	1.26%	10.29%	11.79%	-10.34%	3.18%	10.00%	16.09%
	US Corp	US High Yield	US High Yield	EU High Yield	EM Local	EU High Yield	US Govies	EM Hard
EUR	1.67%	3.84%	11.11%	11.79%	-4.68%	3.18%	1.04%	18.40%
LCL	1.24%	0.82%	9.44%	10.81%	-10.74%	-0.97%	5.77%	14.65%
	US High Yield	EU High Yield	EU High Yield	EM Hard	US High Yield	EU Corp	EM Hard	US High Yield
EUR	1.34%	0.82%	9.44%	7.27%	-5.11%	-0.97%	-2.85%	16.93%
LCL	1.22%	0.47%	6.82%	9.45%	-13.65%	-1.49%	4.66%	9.55%
	EU Corp	EU Corp	EU Corp	US Corp	EU Corp	US Corp	US High Yield	EU High Yield
EUR	1.22%	0.47%	6.82%	5.96%	-13.65%	5.77%	-3.86%	9.55%
LCL	1.20%	-0.72%	4.47%	9.04%	-14.90%	-2.05%	4.50%	8.50%
	Euro Govies	US Corp	Euro Govies	Euro Govies	US Govies	EM Hard	Euro Govies	US Govies
EUR	1.20%	1.81%	4.47%	9.04%	-9.54%	5.17%	4.50%	10.65%
LCL	0.69%	-0.76%	4.02%	8.28%	-17.92%	-3.07%	3.25%	6.84%
	US Govies	Euro Govies	US Corp	EM Local	US Corp	US Govies	EM Local	EM Local
EUR	0.73%	-0.76%	4.79%	4.83%	-12.75%	4.07%	-5.16%	8.96%
LCL	-0.03%	-1.35%	0.83%	8.19%	-18.37%	-3.13%	2.77%	6.76%
	EU High Yield	US Govies	EM Local	EU Corp	EM Hard	Euro Govies	EU Corp	Euro Govies
EUR	-0.03%	1.10%	1.58%	8.19%	-13.23%	-3.13%	2.77%	6.76%
LCL	-0.04%	-2.87%	-1.52%	3.38%	-19.94%	-9.72%	1.65%	6.24%
	EM Local	EM Local	US Govies	US Govies	Euro Govies	EM Local	EU High Yield	EU Corp
EUR	0.07%	-0.39%	-0.85%	0.08%	-19.94%	-3.07%	1.65%	6.24%

The supply dynamics in the primary markets will also play a role in shaping fixed income performance. Issuance in the high yield bond and leveraged loan markets is expected to remain robust, driven by refinancing needs and an uptick in M&A activity. However, if investor demand wanes or if spreads widen significantly, new issuance could face challenges, potentially impacting pricing and liquidity.

In terms of portfolio positioning, investors may need to strike a balance between seeking attractive yields and managing risk. Investment grade credit could provide a relatively stable source of income, while high yield and leveraged loans may offer higher returns but with increased credit risk. Diversification across sectors, maturities, and geographies could help mitigate portfolio volatility.

Lastly, the role of fiscal policy and government bond issuance cannot be overlooked. As governments continue to grapple with elevated debt levels and funding needs, the supply of government bonds may put upward pressure on yields, especially if investor demand fails to keep pace.

In conclusion, the fixed income market outlook for the remainder of 2024 is characterized by uncertainty and potential challenges. Investors will need to closely monitor central bank actions, inflation trends, economic growth, and credit market dynamics to navigate this complex environment. Active management, careful credit selection, and a focus on risk management will be essential for success in the months ahead.

“Looking ahead, fixed income markets may face increased volatility as investors grapple with the timing of potential central bank rate cuts, persistent inflation concerns, and even the possibility of stagflation. However, the current "wall of cash" parked in money market funds could provide support during market corrections. The U.S. Federal Reserve's monetary policy stance will remain a crucial factor in determining the direction of bond yields. While the market currently anticipates rate cuts later in the year, the timing and magnitude of these cuts may depend on the persistence of inflation and the strength of economic data.”

COMMODITIES AND CURRENCIES

In the first quarter of 2024, several key developments emerged in the currency and commodity markets, with a particular focus on gold.

Central banks continued to be net buyers of gold in the first two months of the year, albeit at a slower pace compared to the same period in 2023. The People's Bank of China was the largest buyer in February, increasing its gold reserves for the 16th consecutive month. Other notable buyers included the central banks of Kazakhstan, India, Turkey, Singapore, the Czech Republic, and Qatar. Despite the slower pace of accumulation, the broad trend of central bank gold buying remains intact. Retail investors in China have also shown increased interest in gold as a store of value, driven by a risk-averse mood amid disappointing performances in housing and equities.

China's total apparent demand for gold, including imports via Hong Kong, has risen sharply over the last three years, reaching its highest level since 2014. Household investment purchases appear to be a significant driver of this demand, with implied volumes running at nearly twice the pace seen during 2015-2019.

In contrast, retail investors in the US and other developed countries have shown less interest in gold, as alternative investments like bitcoin have gained popularity. However, the global gold price has been breaking out, surpassing US$2,200/oz, which could impact the buying behaviour of both central banks and retail investors.

	REAL GDP CHG		IND. PROD.	RET. SALES	UNEMP.	CPI	PPI	CUR. ACC.
	Q/Q	Y/Y	Y/Y	Y/Y	Y/Y	Y/Y	Y/Y	Y/Y
AUSTRALIA	0.2	1.5	0.5	1.6	3.7	4.1	2.5	1.2
CANADA	0.3	0.9	0.5	1.0	6.1	2.8	-1.7	-0.6
CHINA	1.0	5.2	6.8	7.4	4.0	0.7	-2.7	1.5
BRAZIL	0.0	2.1	5.0	5.8	8.2	4.5	-5.6	-1.3
DENMARK	2.6	3.5	5.8	0.0	6.6	0.8	-1.1	10.9
EUROPEAN UNION	0.0	0.2	0.9	-0.2	6.0	2.8	-8.1	
EUROZONE	0.0	0.1	-0.7	-0.7	6.5	2.4	-8.3	1.9
FRANCE	0.1	0.7	-0.8	1.0	7.4	2.3	-5.5	-0.8
GERMANY	-0.3	-0.2	-5.5	-2.8	3.2	2.2	-4.1	5.9
INDIA		8.4	3.8		8.5	5.1	0.2	-0.9
ITALY	0.2	0.6	-3.4	-2.4	7.5	1.3	-14.2	0.5
NETHERLANDS	0.4	-0.7	-5.5	2.1	3.7	3.1	-9.7	10.1
PORTUGAL	0.8	2.2	1.0	0.2	6.7	2.3	-2.3	1.4
RUSSIA	-0.6	4.9	8.5	12.3	2.8	7.7	19.5	2.7
SOUTH KOREA	0.6	2.2	4.8	1.0	2.6	3.1	1.5	2.1
SPAIN	0.6	2.0	4.1	1.8	11.5	3.2	-8.2	2.6
SWEDEN	-0.1	-0.1	0.1	-0.5	8.0	4.5	-1.3	6.8
SWITZERLAND	0.3	0.6	-0.4	-0.2	2.2	1.0	-0.3	7.6
UNITED KINGDOM	-0.3	-0.2	0.5	-0.4	3.9	3.4	-1.3	-3.3
UNITED STATES	0.8	3.1	-0.2	1.5	3.8	3.2	1.6	-2.9

Other commodities have seen mixed performances. Copper prices have risen as persistent supply challenges widen the expected deficit for 2024, while demand tailwinds from data centers and AI have boosted investor participation. Iron ore prices have room to bounce back from a recent pullback as Chinese port inventories normalize and firm demand supports the market. Nickel prices have seen an improved risk-reward profile due to supply cuts and a pick-up in cathode production.

On the currency side, the markets in the first quarter of 2024 have been characterized by significant shifts in central bank policies and inflation expectations, setting a complex stage for the remainder of the year. Central banks across major economies have been navigating the challenging terrain of managing inflation while supporting economic growth, leading to varied monetary policy adjustments. For instance, the Federal Reserve and the European Central Bank have shown a cautious stance towards rate changes, indicating potential rate cuts in response to evolving economic indicators. The Euro Area, in particular, has seen a revision of inflation projections by the ECB, which has kept rates steady while signalling a possible rate cut in June, contingent on wage and inflation trends. This cautious approach underscores the delicate balance central banks are trying to maintain between curbing inflation and fostering economic recovery. In contrast, emerging markets like Turkey and Egypt have undertaken more aggressive rate adjustments, reflecting the diverse economic pressures and inflationary environments these economies are facing.

	3M CHANGE	31/03/2024	29/02/2024	31/01/2024	31/12/2023
DEVELOPED MARKETS	Positive	51.5	51.4	50.8	49.9
EMERGING MARKETS	Positive	53.7	53.4	53.5	53.1
EUROZONE	Positive	50.3	49.2	47.9	47.6
UNITED STATES	Positive	52.1	52.5	52	50.9
UNITED KINGDOM	Positive	52.8	53	52.9	52.1
GERMANY	Stable	47.7	46.3	47	47.4
SPAIN	Positive	55.3	53.9	51.5	50.4
ITALY	Positive	53.5	51.1	50.7	48.6
JAPAN	Positive	51.7	50.6	51.5	50
BRAZIL	Positive	55.1	55.1	53.2	50
CHINA	Stable	52.7	52.5	52.5	52.6
INDIA	Positive	61.8	60.6	61.2	58.5
RUSSIA	Negative	52.7	52.2	55.1	55.7
WORLD	Positive	52.3	52.1	51.7	51

Turkey's significant rate hike followed by a planned reduction, and Egypt's substantial rate increase with a future cut, highlight the varied strategies employed by different countries to stabilize their economies. The Australian and New Zealand markets have also presented interesting dynamics, with the RBA's stance on rates influencing the Australian yield curve and expectations of policy adjustments in New Zealand affecting its curve steepness. These developments reflect the nuanced responses of central banks in the Asia-Pacific region to their specific economic conditions.

Looking ahead to the remainder of 2024 and beyond, the outlook for currencies and commodities is shaped by a mix of macro factors, central bank policies, and supply-demand dynamics.

In the currency markets, the US dollar's strength may be influenced by the timing and pace of rate cuts by the Federal Reserve. While rate cuts are expected to commence as early as June 2024, the scale of easing remains uncertain due to sticky inflation. The Japanese yen, in particular, may find some support as the US begins to ease policy, narrowing the rate differential.

Turning to commodities, the outlook for gold remains bullish. The combination of falling interest rates and strong physical demand from central banks and retail investors is expected to support prices. Analysts forecast gold to reach $2,350/oz by Q3 2024, with potential for further upside if US economic data deteriorates faster than expected, prompting earlier and deeper rate cuts.

Copper is another commodity with a positive outlook, as supply disruptions are expected to widen the market deficit in 2024 and potentially persist into 2025. The demand narrative around copper is also being bolstered by the growth of data centers and AI, which could attract new investors to the space. However, a global economic slowdown remains a key downside risk for copper prices.

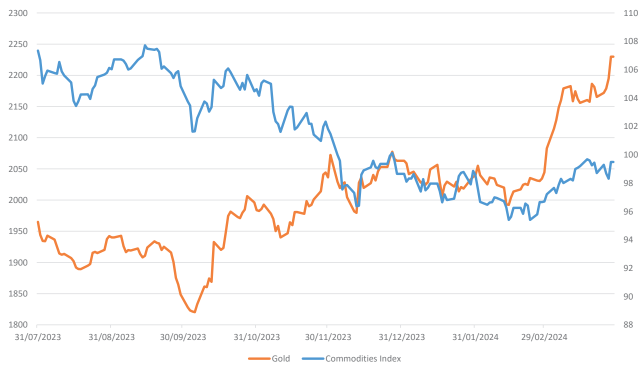
The oil market is expected to see a modest recovery, with Brent crude prices forecast to reach $90 per barrel by the end of Q3 2024. This outlook is supported by the ongoing OPEC+ production cuts and a gradual recovery in Chinese oil demand. However, the pace of global economic growth and the trajectory of the energy transition remain key uncertainties for oil prices.

In the battery metals space, nickel appears to have a more favorable outlook compared to lithium and cobalt. Rapid supply cuts in response to low prices have tightened the nickel market, while the ramp-up in cathode production is expected to support demand. In contrast, lithium and cobalt may face headwinds from the growth of LFP (lithium iron phosphate) and other cobalt-free battery chemistries.

Macro factors, such as the path of inflation, economic growth, and geopolitical tensions, will continue to influence currency and commodity markets. In China, the strength of policy support and the recovery of the property sector will be key drivers of commodity demand. A stronger-than-expected rebound in Chinese economic activity could provide upside to industrial metals and energy prices.

Overall, the outlook for currencies and commodities in the remainder of 2024 and beyond is characterized by a mix of opportunities and risks. While the expected easing of monetary policy and the recovery of physical demand provide a supportive backdrop for some assets, such as gold and copper, the pace of global economic growth and the evolution of supply-side factors will be key determinants of price trajectories across the commodity complex.

Commodities Price Evolution



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